

How do similarities (or differences) in ethical perceptions between local government officials and nonprofit executives shape their relationships?

A Comparative study between Tokyo and London

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Abstract

[Purpose] Since the 1980s, public administrations have been viewed increasingly as inefficient in comparison with organizations governed through market principles, which are considered as being both more conducive to the promotion of quality and more cost effective. As a consequence, the role played by private organizations (for-profit and nonprofit) has broadened. In this new environment, nonprofit organizations, which had previously been seen as fulfilling the demand for social services which the state did not provide, now clearly abandoned this supplementary role in favor of a complementary one in which nonprofit organizations and governments came to be engaged primarily in a 'contract relationship' in which the latter finance public services and the former deliver them. An important factor that leads governments to engage in public services contract with nonprofits is the belief that they share similar ethical and value orientations that will allow governments to reduce monitoring costs.

However, the notion of the existence of similarities in ethical climate has not been systematically examined. This study aimed exactly to this scope. It is an investigation of ethical climates in nonprofits and government in Tokyo (Japan) and London (UK), to determine the extent to which similarities (and differences) exist in ethical climate dimensions, what drives the differences and what are the implications for the sectors in these two cities.

[Research Design] Using survey data and structural equation modeling techniques, the factors structure equivalence and measurement invariance of ethical climate in the two sectors were tested. The Ethical Climate Scale (developed by Victor and Cullen in the '80s to test ethical climate in the for-profit sector and then revised by Agarwal and Malloy recently in the non-profit) which I have used for my previous study, was tested empirically in the two country-contexts by means of a survey and interviews with several of the respondents to the survey. Over 2000 potential respondents were contacted for this survey (approximately 500 in the government sector and 500 in the nonprofit sector in each country).

[Original Contributions] The outcome of this study would be a deeper awareness of ethical perceptions of each sector and an enhanced sense of trust during inter-sectoral negotiations. This study would provide important insights that would allow policy makers in government to better understand the implications of using nonprofit partners to deliver services. The study would also provide a theoretical and empirical starting point from which government - nonprofits relationships in Japan and UK can be better understood.

Key words : Ethical climate, government, nonprofit, Tokyo (Japan), London (UK)

Paper type : Research paper

1. Introduction

The crucial role assumed by nonprofit organizations (NPOs) in the provision of public services makes it essential that their ethical orientations are understood by both government, as their major source of funding, and the community at large as taxpayers and beneficiaries. Accordingly, governmental regulation and oversight of NPOs have grown substantially during the last decade in an effort to maximize accountability to the public (Austin, 2003; Hodgson, 2004), a tightening of control which has often been considered to be to their disadvantage (Evers, 2004, Paton, 2003). Indeed, some writers suggest the major problem for NPOs is the scramble for services contracts, which also produces 'mission drift' (Young and Denize, 2008). It is also argued that governments are reluctant to enter into contractual relationships with NPOs because of the attendant high monitoring costs (Malloy and Agarwal, 2008). The pressure for accountability, from the nonprofit side, and high monitoring costs, from the government side, make any kind of partnership between these two sectors difficult to establish and to maintain (Gazley and Brudney, 2007). However, there are solutions to this problem. Brown and Troutt (2004), for example, report that when organisations share similar ethical values they are more willing to enter into less rigid and more value-based relationships whose efficacy tends to be longer lasting. In order to sustain long-term relationship both sides should be driven by philosophy and ethical values that go beyond merely providing efficient solutions to societal problems (Brown and Troutt, 2004). For the government-nonprofit service delivery arrangement to evolve into a long-term relationship it is well-advised that governments plan performance contracts with NPOs after fully understanding intersectoral ethical climates (Malloy & Agarwal, 2008).

The concept of ethical climate is a powerful one. According to Sims (1992), "The ethical climate of an organization is the shared set of understandings about what correct behavior is and how ethical issues will be handled. This climate sets the tone for decision making at all levels and in all circumstances." (pp. 509). Scholars such as Victor and Cullen (1987) and, more recently, Vidaver-Cohen (1998) have suggested that ethical climate in organizations influences the moral conduct of their membership and especially that of their boards of directors. One of the most interesting definitions of ethical climate has been given by Malloy and Agarwal (2003) who described it as "the informal interpreter and judge of an individual's organizational behavior... a catalyst, or at least a potentially forceful moderator of an individual's organizational behavior" (Malloy and Agarwal, 2003, pp. 39). What then can measures of ethical climate tell us about government- nonprofit relational fit and their policy implications for service delivery? Successful relationships between the two sectors are most often built on trust and as such governments have been advised to choose to contract and partner with nonprofits because they are less likely to behave in opportunistic fashion usually associated with for-profit organizations. This view though must be held with some caution as even within the context of non-distribution, nonprofits are subject to forms of opportunism that are unique to their particular context (Gazley and Brudney, 2007). Many nonprofits are not held as accountable as their government or for-profit counterparts due to the fragmentation "between the community-at-large, the fiduciary board, the funding source, and management" (Gardner, 1987, pp. 7-8). However, research in this field generally suggests that nonprofits are less prone to opportunism than private sector firms. Therefore, the costs of monitoring contracts with private sector are often prohibitive and thus a motivation to use NPOs (Prager, 1994). If these costs can be reduced even

further due to congruence in ethical climates, then it can make NPOs even more attractive partners for government.

Young (2000) provides one of the few studies which try to explain how the relationship between nonprofit organizations and governments has developed over the years in different countries. In particular, he focuses his theoretical analysis on four countries, including UK and Japan. Of these, he concludes that “Japan appears more strongly orientated toward the complementary mode, viewing nonprofits very largely as extensions of the government and with relatively little emphasis given to supplementary and adversarial activity of the nonprofit” (Young, 2000, pp. 165), while in the UK the relationship between nonprofit organizations and government is built on a “more deeply rooted institutional history of private charities and philanthropy than those in Japan… the supplemental mode of nonprofit provision never disappeared and now constitutes a strong base for the development of both complementary and supplementary relations with the government” (ibid, pp. 167-168). The way in which Young (2000) sees the Japanese case is in accord with the ways in which other scholars have conceptualized the relationship between nonprofits and government in Japan. Schwartz (1998) and Estevez-Abe (2003) cite Japan as a paradigm in the realm of social welfare services, ahead of many Western European countries, on account of its close state-nonprofit sector partnership. Indeed, as Taylor (1999) asserts, nonprofit organisations in the UK have long seen themselves as a watchdog on the state, exerting an influence on policy from outside the sphere of government.

To the author’s knowledge, no comparative empirical research has been conducted into both Japanese and British nonprofit and government sectors to determine the extent to which differences (and similarities) exist in ethical climate dimensions. Indeed, as has been argued by Rasmussen et al. (2003),

there is an overall lack of research on ethical climate in nonprofit organizations and governments because this factor has previously been an important topic of research and practice in the for-profit sector. To date, we can identify only five relevant studies which have tried to explore the subject of ethical climate in nonprofit organizations: Deshpande (1996); Agarwal and Malloy (1999); Brower and Shrader (2000); Rasmussen et al. (2003); and Malloy and Agarwal (2008). Rasmussen et al. (2003), through their qualitative research, found out that nonprofit participants identified individual caring and independence as prevalent, whereas government participants identified law and codes and social caring climates as the prevailing ethical climate. Malloy and Agarwal (2008), by focusing their quantitative investigation on the nonprofits and governments of two Canadian provinces, confirm those differences, but they also show that there are some overlaps in the shared perception of some ethical climates between the two bodies investigated, and they argue that it is in those communalities that governments and nonprofits normally invest to build trustful relationships.

This study shows for the first time how perceptions of ethical climate may differ in the nonprofit and government sectors, both within and between separate country contexts. The findings of this study provide a preliminary insight into two important areas: firstly into the orientation of ethical climates within the two sectors investigated, which may help policy makers in the governments of the two localities analyzed understand better the implications of using their local nonprofit partners to deliver services, and secondly into the reasons why, in the Japanese context, partnerships between governments and nonprofits are close and long-lasting, whereas in the UK they are much more difficult to build and maintain.

2. Theoretical Framework

The vast majority of the research that has been conducted in ethical climates is based upon the theoretical framework which was developed by Victor and Cullen in the late 1980s in order to study the perception of ethical orientation in for-profit organizations.

Victor and Cullen (1987, 1988) developed a framework for measuring the perception of ethical orientation in organizations by combining the theoretical constructs of ethical theory and locus of analysis. Three ethical theories form the basis of Victor and Cullen's (1987, 1988) model. They include egoism (hedonism), benevolence (utilitarianism), and principled (deontology) ethical grounding. It is interesting to note that these three ethical theories conceptually and philosophically overlap significantly with the three generally accepted dimensions of trust, namely, ability (i.e., skills and competencies), benevolence (i.e., non-egocentric motive), and integrity (i.e., personal and moral principles) (Mayer et al., 1995).

Theoretical constructs of ethical theory

- The first theory is egoism. Egoism represents organizational behavior that attempts to avoid punishment and seeks reward for the individual and the organization. This often leads to a climate in which the primary goal is individual and organizational efficiency and success in terms of productivity and cost-effectiveness.
- The second theory is benevolence. This approach describes organizational behavior that seeks the greatest goodness or pleasure and the least pain for the members as a whole. The benevolence theory aims at fostering friendship, interpersonal relationship, group cohesion, and public good.
- The final theory in this framework is termed principle. Unlike the previous

two teleological-based theories, this approach places emphasis not on the happiness or pleasure of the individual or group, but rather its focus is upon abstract impersonal rules of conduct. These rules manifest themselves in the form of personal morality, organizational rules and procedures, and legal and professional codes of conduct.

Locus of analysis

This construct contains three different reference points for an individual's decision making. These three perspectives include individual, local, and cosmopolitan viewpoints.

■ Decisions made at the individual locus are ideographical in nature and based upon personal inclinations or well-considered existential convictions.

■ The local referent is the immediate work group or the firm generally as well as the individual's community of significant others. Norms, values, and behaviors derived from this immediate work or social community are internalized or at least generally operationalized by the individual actor. The local locus is indicative of decisions made as a function of the will or the pressure of the group.

■ Finally, cosmopolitan decisions are made as a result of their perceived universality as opposed to what is good for the individual or the group. At this level, behavior is shaped by normative systems that have the potential to operate within the organization but are generated and maintained externally (e.g., professional codes of ethics as opposed to firm-specific behavioral norms).

The outcome of the juxtaposition of these loci of analyses and three ethical theories is a nine-cell climate matrix (see Table 1 below).

Table 1: The ethical climate typology (For-profit Organizations).

Locus of analysis/ Ethical criterion	Individual	Local	Cosmopolitan
Egoism	Self-interest	Organizational Interest	Efficiency
Benevolence	Friendship	Team Interest	Social Responsibility
Principle	Personal Morality	Organizational Rules & Procedures	Rules and Law

Source: Victor and Cullen (1988).

While these nine cells exist theoretically in Victor and Cullen's framework, however, empirically, fewer climate types present themselves. For example, in the vast majority of studies conducted in the for-profit sector (including Victor's and Cullen's original study), five climate types seem to re-occur (e.g., Barnett and Schubert, 2002; DeConnick and Lewis, 1997; Peterson, 2002; Vardi, 2001; Victor and Cullen 1988). While some research identifies similar ethical climates in the nonprofit sector (e.g., Deshpande, 1996a, b), other studies demonstrate notable variations (e.g., Agarwal and Malloy, 1999; Brower and Shrader, 2000). For example, the study conducted by Agarwal and Malloy (1999) reveals that the nonprofit sector has a more discriminating perception of benevolent and caring climate as opposed to the justice-oriented "law and code" climate.

With this typology in mind Victor and Cullen developed an Ethical Climate Questionnaire (ECQ) with each question answered by the respondents scoring on a six-point scale ranging from "completely false" to "completely true." Agarwal and Malloy (1999) applied this research tool to a nonprofit organization and discovered that not all the ethical climate types were replicable. In particular, they found that, in the nonprofit organization, there were no significant ethical climate perceptions based on the "local or organizational locus" of analysis (Agarwal and Malloy, 1999). They also found

that, in the nonprofit organization, there was a general trend toward a “caring climate of benevolence”, including individual caring – in which the primary concern of members is the well-being of others, and the tendency among them is to do what is best for the service users rather than the general public, and social caring – in which the primary concern of members is the well-being of the community or society at large (social responsibility), and the tendency among them is to do what is right for the public as a whole (Malloy and Agarwal, 2001; Parboteeah and Cullen, 2003). Following their findings, Agarwal and Malloy rebuilt Victor and Cullen’s matrix showing how it differs between for-profit and nonprofit. (See Table 2 below)

Table 2: The ethical climate typology (Nonprofit Organizations).

Locus of analysis/ Ethical criterion	Individual	Local	Cosmopolitan
Egoism	Self-interest (<i>Machiavellianism</i>)	/	/
Benevolence	Friendship (<i>Individual Caring</i>)	/	Social Responsibility (<i>Social Caring</i>)
Principle	Personal Morality (<i>Independence</i>)	/	Rules and Law (<i>Formal policy and procedures</i>)

Source: Agarwal and Malloy (1999).

On the basis of their discovery in 1999, Malloy and Agarwal proposed two factors which may influence the perception of ethical climate in a nonprofit organization: individual-specific factors (relating to the individual locus) and significant-other factors (relating to the cosmopolitan locus). In particular, they identified “educational level” as being one of the individual-specific factors which may influence the ethical perception of a nonprofit organization more than other factors; on the other hand, among the significant-other factors, they identified the presence and frequency of dilemmas dealing with volunteers as that feature, among others, which might influence the perception of ethical climate in a nonprofit context. (Malloy and Agarwal, 2001, pp. 44-49).

However, because their investigation was based on a nonprofit organization, it did not show how the matrix may change from one kind of organization to another, and from one country to another. Later in 2008, Agarwal and Malloy conducted another study in two Canadian provinces in which they tried to understand how ethical climate changes between nonprofits and governments, but again it lack the cross-national comparative dimension.

3. Methodology

The instrument for this study was based upon the Ethical Work Climate Questionnaire developed by Victor and Cullen (1987, 1988). This includes 36-items. Against the background of this review, we developed our own version of the Ethical Climate Questionnaire. This ECQ was developed for distribution in four nonprofit executive directors and four government officials in Chiba prefecture. When developing our own version of the ECQ, we tried to follow the Victor and Cullen ECQ-version as much as possible. For example, the instructions for the respondents were almost literally translated from Victor and Cullen (1988: 110).

However, we did have to make a number of important modifications to the original ECQ: 1) First, Victor and Cullen (1988: 112)'s items typically refer to "company" (e.g. "In this company, people are expected to follow their own personal and moral beliefs."). In our questionnaire we replaced "company," not by "organization," but by a specific description of the (part of the) organization the questions were about. As mentioned above, the ECQ is analyzed at the organizational level and the actual organisations we researched are "nonprofits and government departments." Yet, because the government departments were typically part of a larger organization, it would not be self-evident for the survey-respondents to understand what is meant by "our organization". Hence,

to avoid interpretation problems, the survey explicitly indicated the name of the organization, i.e. the organizational level at which the climate was to be measured. 2) Second, quite a number of specific items were changed and a few were entirely replaced because were considered by those 8 people who took part in our piloting study as too much repetitive or very ambiguous questions. 3) Some items were left out because they were too similar to other items. 4) and perhaps, most important, these adapted items were translated into Japanese. In this process, we faced some problems of interpretation and translation so we sort of tried to find an interpretation of items which differed as less as possible from the original meanings, though in a way that was as much as possible understandable by respondents in the Japanese cultural-context.

Operationalization of the variable

Based upon empirical and theoretical evidence of the correlation and co-existence of climate dimensions, the factors were assumed to be non-orthogonal and we decided to apply the EFA (explanatory factor analysis¹⁾) using principal axis factoring and utilizing the oblique rotation method. At the start, this methodological change appeared to be contradictory to Victor and Cullen's original strategy of adopting the PCA (principal

1) Explanations of what EFA is all about are given in note number 3 below. "The first difference between EFA and PCA is that the direction of influence is reversed: EFA assumes that the measured responses are based on the underlying factors while in PCA the principal components are based on the measured responses. The second difference is that EFA assumes that the variance in the measured variables can be decomposed into that accounted for by common factors and that accounted for by unique factors. The principal components are defined simply as linear combinations of the measurements, and so will contain both common and unique variance" DeCoster, J. (1998). Overview of Factor Analysis from <http://www.stat-help.com/notes.html>
Oblique rotation method is explained in note 3 below.

components analysis²⁾), but they were shown to have done the right thing because Bartlett's test of sphericity and the Kaiser–Meyer–Olkin (KMO) measure of sampling adequacy indicated that it was appropriate for the data in question to adapt the EFA. The resulting analysis yielded 10 factors but only 8 factors eigenvalues greater than unity and these were selected. The eight factors were then reported in the following matrix:

Ethical Climate Scale

F1: Self-Interest

- (1) In X, people protect their own interest above other considerations.
- (2) In X, people are mostly concerned about what is best for themselves.
- (3) In X, people are mostly out for themselves.

F2: Organizational Interest

- (4) People here are expected to do anything to further the financial interests and the position of X.
- (5) People here consider it to be important that citizens find X better than other organizations that perform similar tasks.
- (6) People here are solely concerned with the financial interests and the image of X.

2) "The purpose of PCA is to derive a relatively small number of components that can account for the variability found in a relatively large number of measures. This procedure, called data reduction, is typically performed when a researcher does not want to include all of the original measures in analyses but still wants to work with the information that they contain. Differences between Explanatory Factor Analysis and PCA arise from the fact that the two are based on different models" DeCoster, J. (1998). Overview of Factor Analysis. from <http://www.stat-help.com/notes.html>. Orthogonal rotation method is explained in note 3 below.

F3: Efficiency

- (7) In X, each person is expected, above all, to work in a cost-reductive way.
- (8) The cheapest way is always the right way, in X.

F4: Friendship

- (9) Good interpersonal contacts (both with colleagues and with outsiders) are considered to be very important in X.
- (10) In X, our major concern is always what is best for the other person (whether he or she is a colleague or not).
- (11) What is best for each individual (whether citizen or colleague) is the primary concern in X.
- (12) It is expected that each individual (both colleague and outsider) is cared for when making decisions here.

F5: Team Interest

- (13) The most important concern is the good of all the people in X.
- (14) People in X view team spirit as important.
- (15) A good and broad cooperation among all colleagues is considered to be very important in X.

F6: Stakeholder Orientation

- (16) It is expected here that you will always do what is right for the citizens with whom you deal
- (17) People in X have a strong sense of responsibility to the citizens they deal with.
- (18) People in X are actively concerned about the citizens they have direct contact with.
- (19) The effect of decisions on the citizens with whom we directly deal is a primary concern in X.

F7: Personal Morality

- (20) There is no room for one's own professional ethics or personal morals in X.
- (21) In X, people are expected to follow their personal moral beliefs and their own professional ethics.
- (22) The most important consideration in X is each employee's personal sense of right and wrong.

F8: Rules and Law

- (23) It is very important to follow strictly X's rules and procedures here.
- (24) The first consideration is whether a decision violates any law.
- (25) People are expected to comply with the law and public interest over and above other considerations.
- (26) In X, people are expected to strictly follow legal and professional standards.

In our study, ethical climate was measured using these 8 climate types we identified. Each item or climate description was measured using a six-point Likert scale, "completely false" (A= -3), "mostly false" (B= -2), "somewhat false" (C= -1), "somewhat true" (D= 1), "mostly true" (E= 2), or "completely true" (F= 3). Therefore a high score shows the presence and a low score the absence of a climate. We made clear at the top of this set of questions that our objective was to discover, through respondents' answers, not how they (the respondents) would like the climate to be, but how the climate of their organization actually was (at the time when the questionnaire was being completed).

At the end of our survey, we chose a strictly confirmatory factor analysis which, as has been pointed out by DeCoster (1998), has "the main objective of determining the ability of a predefined factor model to fit an observed set of data." (7). Floyd and Widaman (1995) suggested that explanatory factor

analysis is most appropriate in the initial stage of model development whereas confirmatory factor analysis provides a more powerful tool in the second stage of research when a model has already been established. By using SEM goodness-of-fit tests (LISREL)³⁾ we were able to determine if the pattern of variances and covariances (correlations) in the data was consistent with the structural model specified by our explanatory factor analysis. Through the LISREL we obtained the inter-correlation matrix which shows the covariance among the constructs. Then we fitted the model to the data and by using the most common model-fitting procedure, named 'maximum likelihood estimation', with which we obtained the estimates of factor loadings that were free to vary. The reliability of each item used in the survey was then assessed by Cronbach's alpha which is a coefficient of reliability (or internal consistency). It can be written as a function of the number of test items and the average inter-correlation among the items. The following formula is the one used to calculate the standardized Cronbach's alpha:

$$\alpha = \frac{N - \bar{r}}{1 + (N - 1) \cdot \bar{r}}$$

where N represents the number of items and r-bar is the average inter-item correlation among the items.

For each factor representing an ethical climate type in the scale we reported the relative intensity, which was assessed through the calculation of means. These relative intensities were then ranked in two groups: 'low' and 'high'. The basic rule of thumb for this distribution is twofold: the eight ethical climate types should be distributed somewhat equally over the two groups surveyed;

3) See 'what is LISREL all about' in INTRODUCING LISREL written by Diamantopoulos and Siguaw (2000).

and the types are distributed on the basis of their ranked relative intensity. This was assessed through the following statistical formula:

$$I_{ec} = \sum A_{ij} * V_j$$

Where I is the relative intensity of an ethical climate type; A is the mean; V is the ideal value given to each of the 6 points on the Likert scale; i indicates the row position; and j indicates the column position. As can be seen in the formula presented above, we gave to the 6- point Likert scale the following values: 'completely false' (-3), 'mostly false' (-2), 'somewhat false' (-1), 'somewhat true' (1), 'mostly true' (2), 'completely true' (3), thus the two categories could be easily recognized by the negative or positive sign of each relative intensity. Furthermore, ethical climate types marked by a low rank (a negative relative intensity value) indicate that they were absent in the perception of the respondents. On the other hand, high rank factors (represented by positive relative intensities values) highlight the presence of these ethical climates among the executive directors surveyed.

Data collection

The study was conducted between August 2009 and March 2010. At first we did a pilot study on a sample of 16 organizations, 8 outside Tokyo, in Chiba prefecture, and 8 outside London, in Birmingham area. In each country, the pilot sample involved 4 nonprofits and 4 government officials. As a result of the pilot study, and subsequent explanatory factor analysis, we arrived to construct the final questionnaire of 26 items, much shorter than the original one but which was still inclusive of all the dimensions we wanted to test in first place (i.e. Self-interest; Organizational interest; Efficiency; Friendship; Team-interest; Stakeholder-orientation; Personal morality; Rules and laws).

In Japan we contacted first by phone and then by mail 1012 potential

respondents: 500 local government officials were selected among 10 Municipal local governments (50 officials each municipal government); 512 nonprofit organizations were selected among these types of organizations as follow (and we included all 23 districts of Tokyo and also the special cities as well): Shakai Fukushi Hojin (250); Tokutei Hi Eiri Katsudo Hojin (NPO) (162); Iryo' Hojin (50); Shukyo' Hojin (20); Tokushu Hojin (20); Gakko' Hojin (10). In UK we contacted 1004 potential respondents: 500 local government officials were selected from 10 city councils in London; 504 nonprofit organizations selected were mainly Charities.

All participants received a self-addressed stamped envelope, the survey instrument (Ethical Climate Questionnaire, Victor and Cullen, 1987, 1988), and a cover letter explaining the purpose of the study. We requested access from the senior administration for the initial mailing. Surveys were distributed as part of the internal mail system and were not to be distributed by supervisors personally in order to avoid any perceived coercion to respond. While mail surveys are known for the low response rate, it offers a high degree of perceived anonymity, which is an important consideration here given the nature of this study.

Respondents Characteristics

In the Japanese nonprofit sample, 456 questionnaires were filled and returned. In the government sample, 345 questionnaires were filled and returned. Due to some missing values, a net sample of 441 questionnaires (for nonprofit) and 321 questionnaires (for government) were used for the final analysis. In the British nonprofit sample, 374 questionnaires were filled and returned. In the government sample, 398 questionnaires were filled and returned. Due to same missing values, a net sample of 327 questionnaires (for nonprofit) and 356

questionnaires (for government) were used for the final analysis.

4. Presentation of the Results and Discussion

Tables 3 and 4 below show the relative intensities of the eight ethical climate types in comparative perspective in Japan and UK respectively.

Table 3: Ranked relative intensities of the eight ethical climate types in Nonprofit and Government Sectors in Tokyo

Factors	<u>Nonprofit Sector</u>		<u>Government Sector</u>	
	Relative Intensity	Classification	Relative Intensity	Classification
F1: <i>Self-Interest</i>	-0.78	Low	-0.87	Low
F2: <i>Organizational Interest</i>	-0.19	Low	-0.09	Low
F3: <i>Efficiency</i>	-0.98	Low	-0.78	Low
F4: <i>Friendship</i>	1.40	High	1.45	High
F5: <i>Team Interest</i>	1.23	High	1.27	High
F6: <i>Stakeholder Orientation</i>	1.68	High	2.00	High
F7: <i>Personal Morality</i>	-0.27	Low	-1.53	Low
F8: <i>Rules and Law</i>	1.22	High	1.83	High

Source: Analysis of Survey Data

Table 4: Ranked relative intensities of the eight ethical climate types in Nonprofit and Government Sectors in London

Factors	<u>Nonprofit Sector</u>		<u>Government Sector</u>	
	Relative Intensity	Classification	Relative Intensity	Classification
F1: <i>Self-Interest</i>	-1.34	Low	-1.82	Low
F2: <i>Organizational Interest</i>	0.87	High	-1.00	Low
F3: <i>Efficiency</i>	-0.59	Low	1.24	High
F4: <i>Friendship</i>	1.63	High	1.45	High
F5: <i>Team Interest</i>	-0.73	Low	0.27	High
F6: <i>Stakeholder Orientation</i>	1.27	High	0.84	High
F7: <i>Personal Morality</i>	1.59	High	-1.67	Low
F8: <i>Rules and Law</i>	-1.96	Low	1.72	High

Source: Analysis of Survey Data

The ethical climate matrix in the Japanese context shows strong similarities between nonprofit executive directors and government officials. In the author's view, this provides a valid explanation for the way in which the relationship between nonprofit organizations and government should be perceived in Japan (see Laratta, 2009a and Laratta, 2009b) and therefore dismantle some of the past arguments which supported the idea that nonprofits in Japan are mostly co-opted by the government sector. Both government and nonprofit sectors perceive universal laws and rules as necessary. This similarity in cosmopolitan climates may influence the manner in which services are delivered. For example, a nonprofit organization could make decisions that meet the perceived needs of the users and at the same time showing a strict adherence to governmental policy. This similarity is philosophically interesting, as it appears to converge the government's ethics of justice (Kant and Kohlberg) with the nonprofit's ethics of caring (e.g., Gilligan, 1982). In the UK, on the other hand, the Law and Code ethical climate diverge dramatically between the two sectors. As expected, the government sector perceived Social Caring (i.e. 'Stakeholder Orientation') and 'Rules and Law' as very existing climate. Government, in theory and practice, is bureaucratic in nature and as such relies on universal rules as its means of operation to set policy and to deliver services (Hodgkinson, 1996). The case of UK actually confirms this expectation because we found that the ethical climate 'Law and Code' is very strong in the government sector and not existent in the Nonprofit sector. Also interestingly was that in the Japanese context the government chooses to accentuate process (Law and Code), but it doesn't accentuate also outcome (Efficiency). In the UK context, on the other hand, these two ethical climates seemed to be present. Therefore, In the Japanese context, this finding contrasts the perspective termed rule-utilitarianism which advocates that the rules that ought to be

followed are ones that lead to the greatest good for the greatest number (or the greatest efficiency). One might also argue that this particular dual purpose represents the reverse of the post-conventional level of the justice orientation promoted by both Kant (1785/1983) and Kohlberg (1969). As with the government officials, the nonprofit executives in both countries also places greatest concern with Social Caring (i.e. 'Stakeholder Orientation'). This similarity is of practical concern as the global rules with which the government operates may be seen by the nonprofit sector in the same way (i.e. in favor of the social wellness). This surely bodes well for government-nonprofit collaboration where a common acceptance of benevolence and trusting relationships based upon the other's interests (Mayer et al., 1995) pervades these two organizational types. However, both sectors in Japan identified Personal Morality climate as being absent. Personal Morality promotes behavior that is existential and post-conventional in nature (Kohlberg, 1969). Individuals are encouraged to examine decisions authentically and take responsibility for all outcomes. They are perceived to be creative and the product of their creativity is respected by the organization. Trust is based upon the belief that others will abide by their principles and thus the need for direct supervision is reduced and independence is enhanced (e.g., Inkpen and Li, 1999). While these climate could be perceived as not welcoming by many in both sectors, the extent to which an individual interprets "Personal Morality" may be some cause for concern for governmental service downloading (i.e., quality control). In other words, to what extent do organizations wish employees to have the freedom to "free wheel" as opposed to follow policy? Interestingly, neither sector acknowledged Self-Interest as existing. However, this was not the case in the UK where we found that Personal Morality climate was very strong in the nonprofit sector and very weak in the government

sector. In Japan Ethical climates do not diverge also at the local or organizational level (i.e. Organizational Team or Team Interest). This can help to create a potential collaboration climate in expectation between the sectors as both government and nonprofit sectors' emphasis at this level is upon process rather than outcome. On the contrary, in the UK, we found that these two ethical climates diverge a lot between the two sectors.

5. Conclusion and Implications

It is generally assumed that an important factor prompting governments to engage in public services contracts with nonprofits is the belief that the ethical and value orientations which they both share will generate reductions in monitoring costs. However, the notion of the existence of such similarities in ethical climate has never been systematically examined in order to substantiating it. This study for the first time can demonstrate to the Japanese government that nonprofit organizations would make better partners for government because they share similar ethical values and especially because nonprofits are less likely as the government to behave in an opportunistic manner. At the same time, our findings can demonstrate to the British government that exist a strong difference in ethical orientations between the two sectors and that this maybe the reason why the relationships between these two sectors are not strong and long-lasting. Only three out of the eight ethical climates investigated showed similarities between the two sectors in the UK. It is advisable to continue to build on these similarities. Indeed, our findings concerning the nonprofit executives' lack of identification with the ego became even more remarkable when associated with other findings of our research which showed that there were strong perceptions of belonging to either individual caring (i.e. Friendship) or social caring (i.e. Stakeholder Orientation) climate types in both

groups of respondents. Their primary concern was the well-being of others, and the tendency among them was to do what was best for the users of the services (individual responsibility) and the community at large (social responsibility). These findings proved to be consistent with the extant literature (see Agarwal and Malloy, 1999; Brower and Shrader, 2000; Deshpande, 1996; Rasmussen et al., 2003) whose research produced almost identical conclusions.

In Japan, our findings indicate that governments would be wise to reduce accountability demands on and exercise less caution in their arrangements with the nonprofit sector. One aspect which emerges clearly from Laratta (2009c) is that in Japan government accountability demands on nonprofits are very numerous. This means that government at present is spending great amount of money in implementing those mechanisms of control. However, this findings show that the government is wasting money in this way, because it is monitoring (and perhaps too much) types of behavior in the nonprofit sector that are perfectly consistent with the objectives of government. Freedom from controls is an asset if governments hope to have the nonprofit sector be the innovator and incubator of new ideas and practices. In the UK, governments might well even ignore certain types of behavior, including behavior they would not have tolerated in the past in the name of maintaining and improving trust, and also increasing the proper spirit of innovation.

What governments need to do is recognize the similarity of ethical climates with the nonprofit sector and avoid to destroy the varied and effective incentives for performance that already exists. Yet because there are similarities in ethical climate, it does not follow that governments should in any sense avoid increasing its contracting activities with the nonprofit sector. In fact, engaging in contracts that provide more room for independent and discretionary behavior with the nonprofit sector coincides with the growing

body of evidence which suggests that democratic regimes tend to operate more effectively when they foster strong networks of interdependence producing more deliberation, civility, and trust (Putnam, 2000). Thus nonprofit networks, which are growing by the choices made by politicians, public servants, and other social actors, are seen as being capable of enhancing social capital and with it the quality of governance in society precisely because they require trust between the parties.

Pragmatically, if one is aware of the heightened awareness of a particular trust dimension, it would be logical to place greater emphasis on it in the early stages of negotiation. For example, if a nonprofit is bidding for a government contract, it would be prudent to emphasize Stakeholder Orientation as it appears to be the strongest common element for trust in the government climate of social caring as well as in the nonprofit in both countries.

As with any research, this study is not without limitations. Due to pragmatic constraints, this research was limited to a large sample of nonprofit and government managers in Tokyo and London. A broader sample that incorporates nonprofit and government nationally and globally would be valuable for future research, especially cross-national comparative researches. Despite this, the outcomes of this study give a deeper awareness of ethical perceptions of each sector and an enhanced sense of trust during inter-sectoral negotiations. This study provides important insights that can allow policy makers in government to better understand the implications of using nonprofit partners to deliver services. It also provides a theoretical and empirical basis from which government – NPOs relationships in Japan and UK can be better understood.

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